

A Guide to CalPERS

Retirement Option 4



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INTRODUCTION

When you retire, you can elect to have your benefits paid for your lifetime alone (the Unmodified Allowance), or you can select one of the retirement options that allow you to provide a benefit to a beneficiary at your death. The benefits provided under these options are paid for through a reduction to your Unmodified Allowance. The amount of the reduction is based on your age at retirement and the age of your beneficiary.

Options 1, 2, 2W, 3, and 3W are specifically defined in law. (Your CalPERS member publication has a more detailed explanation and examples of these options.) Option 4 lets you choose a more customized benefit, as long as the amount to your beneficiary is not greater than the benefit provided under Option 2W.

There is no provision for a “pop-up” increase under any Option 4 benefit.

On the following pages, you’ll see examples of the seven types of Option 4 benefits, along with an example of how each type works.

Get an Option 4 Estimate

Retirement Allowance Estimate Request

If you are within one year of your expected retirement date, you may request a CalPERS-generated retirement estimate by completing a *Retirement Allowance Estimate Request* form and mailing it to the address on the form. You can find this form in the Forms & Publications Center at www.calpers.ca.gov or you can call CalPERS at **888 CalPERS** (or **888-225-7377**) to request a copy by mail. You are limited to two CalPERS-generated estimate requests in a 12-month period and must be within a year of retirement.

Note: An estimate request for the following options requires a complex actuarial calculation. For this reason, you must be within six months of your retirement date to request a CalPERS-generated estimate for these options:

- Reduced Allowance for Fixed Period of Time
- Reduction on Death of Retiree or Named Beneficiary

OPTION 4 EXAMPLES

It's important to note that if Survivor Continuance applies to your allowance and your eligible survivor is not the same person you are naming for an Option 4 benefit, the allowance provided to the person named for the Option 4 benefit can vary from the examples that follow.

Specific Dollar Amount to a Beneficiary

You can specify the dollar amount of your monthly benefit you want to leave to your named beneficiary upon your death. The greater the amount left to the named beneficiary or the younger the beneficiary, the greater the reduction to your Unmodified Allowance.

Example

Your Unmodified Allowance is \$2,000 per month and you want your beneficiary to receive \$1,000 per month after your death. Depending on your age at retirement and the age of your beneficiary, your Option 4 allowance could be \$1,900 per month (plus any cost-of-living increases), paid until your death, at which time your beneficiary would begin receiving \$1,000 per month (plus any cost-of-living increases).

Specific Percentage to a Beneficiary

You can specify that a certain percentage of your Unmodified benefit be paid to your named beneficiary upon your death. The greater the percentage left to the named beneficiary or the younger the beneficiary, the greater the reduction to your Unmodified Allowance. The percentage must be less than 100 percent.

Example

Your Unmodified Allowance is \$2,000 per month. You could elect Option 4 and leave 75 percent of your benefit to your beneficiary. Again, depending on your age and the age of your beneficiary, your Option 4 allowance could be \$1,850 per month. At your death, your beneficiary would be paid 75 percent of the allowance paid to you at that time (plus any cost-of-living increases).

Option 2W & Option 1 Combined

You can elect an Option 4 to provide that the same monthly allowance you receive will be continued to your named beneficiary at your death (if the beneficiary is alive), and you can specify that, after both you and your named beneficiary have died, any remaining balance of your contributions be paid to your secondary beneficiary.

Example

Your Unmodified Allowance is \$2,000. Under this Option 4, \$1,800 a month could be paid to you until your death and then to your beneficiary for their lifetime. During your joint lifetimes, a portion of your benefits are funded by the money you contributed to CalPERS while you were working. If there are any contributions remaining after both you and your beneficiary have died

(member contributions are usually exhausted in approximately 10 years), the unpaid balance would be paid in a lump sum to your secondary beneficiary. Members who choose this option usually have a substantial contribution balance they want to protect.

Option 3W & Option 1 Combined

You can elect an Option 4 to provide that one half of the monthly benefit you receive will continue to your named beneficiary at your death (if the beneficiary is alive), and you can specify that, after both you and your named beneficiary have died, any remaining balance of your contributions will be paid to your secondary beneficiary.

Example

Using a \$2,000 Unmodified Allowance, under this Option 4, \$1,900 a month could be paid to you until your death, and then your beneficiary would receive \$950 a month for their lifetime. During your joint lifetimes, a portion of your benefits are funded by the money you contributed to CalPERS while you were working. If there are any contributions remaining after both you and your beneficiary have died (member contributions are usually exhausted in approximately 10 years), the unpaid balance would be paid in a lump sum to your secondary beneficiary.

Reduced Allowance for Fixed Period of Time

You can elect to receive a specific reduced dollar amount or percentage of your Unmodified Allowance for a specific length of time. After this time period, you will receive an increased allowance based on the actuarial equivalent of your remaining benefit.

The minimum you can elect to receive is 25 percent of your Unmodified Allowance or an amount equal to the payable Survivor Continuance, if higher. This amount should allow for any deductions for health and dental benefits to be maintained, if you are eligible for those benefits. It can be based on your life alone or on the joint lifetimes of you and your named beneficiary.

If you name a beneficiary, the lesser allowance is paid to your beneficiary at your death, until the end of the specified time period. Once the specified time period has elapsed, your beneficiary will receive the higher allowance for life. This type of Option 4 allowance request requires actuarial staff to do individual calculations, so retirement processing time may be lengthened.

Example

Using the Unmodified Allowance of \$2,000, you could elect to receive \$1,000 per month for the first five years of retirement. Beginning with the sixth year, the benefit would be increased to \$2,500 per month for the rest of your life.

Multiple Lifetime Beneficiaries

You can elect an Option 4 that would provide a lifetime benefit to more than one beneficiary. (This would be different from the benefit offered under Option 2, 2W, 3, or 3W, which limit you to only one beneficiary to receive a lifetime benefit.) You can provide each beneficiary an equal share or designate specific dollar amounts or percentages of your benefit to each individual beneficiary.

Example

An example of this type of Option 4 would be electing to provide a lifetime allowance to your two children at your death. In this example, your \$2,000 Unmodified Allowance could be reduced to \$1,400 per month for your lifetime, but at your death, your two children could each receive \$700 per month for life.

Reduction on Death of Retiree or Named Beneficiary

You can specify a minimal reduction to the Unmodified Allowance (at least \$1) to provide the highest benefit possible while both you and your beneficiary are living. Upon the death of either of you, the continuing benefit will be significantly reduced for the survivor.

This type of Option 4 allowance request requires actuarial staff to do individual calculations, so retirement processing time may be lengthened.

Example

Assume your Unmodified Allowance is \$2,000. You take a small reduction to that amount and receive \$1,999 per month for as long as you and your named beneficiary are both still living. At the death of either of you, the survivor will receive a substantially reduced benefit for the remainder of their lifetime. The amount of the reduced benefit will depend on your age at retirement and the age of your beneficiary.

BECOME A MORE INFORMED MEMBER

CalPERS On-Line

Visit our website at www.calpers.ca.gov for more information on all your benefits and programs.

Reaching Us By Phone

Call us toll free at **888 CalPERS** (or 888-225-7377).

Monday through Friday, 8:00 a.m. to 5:00 p.m.

TTY: (877) 249-7442

my|CalPERS

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CalPERS Education Center

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- Browse our retirement fair schedule.
- Make a personal appointment with a retirement counselor.

Log in today at my.calpers.ca.gov.

Visit Your Nearest CalPERS Regional Office

Visit the CalPERS website for directions to your local office.

Monday to Friday, 8:00 a.m. to 5:00 p.m.

Fresno Regional Office

10 River Park Place East, Suite 230

Fresno, CA 93720

Glendale Regional Office

Glendale Plaza

655 North Central Avenue, Suite 1400

Glendale, CA 91203

Orange Regional Office

500 North State College Boulevard, Suite 750

Orange, CA 92868

Sacramento Regional Office

Lincoln Plaza East

400 Q Street, Room E1820

Sacramento, CA 95811

San Bernardino Regional Office

650 East Hospitality Lane, Suite 330

San Bernardino, CA 92408

San Diego Regional Office

7676 Hazard Center Drive, Suite 350

San Diego, CA 92108

San Jose Regional Office

181 Metro Drive, Suite 520

San Jose, CA 95110

Walnut Creek Regional Office

1340 Treat Blvd., Suite 200

Walnut Creek, CA 94597

INFORMATION PRACTICES STATEMENT

The Information Practices Act of 1977 and the Federal Privacy Act require the California Public Employees' Retirement System to provide the following information to individuals who are asked to supply information. The information requested is collected pursuant to the Government Code (Sections 20000, et seq.) and will be used for administration of the CalPERS Board's duties under the California Public Employees' Retirement Law, the Social Security Act, and the Public Employees' Medical and Hospital Care Act, as the case may be. Submission of the requested information is mandatory. Failure to supply the information may result in the System being unable to perform its function regarding your status and eligibility for benefits. Portions of this information may be transferred to State and public agency employers, State Attorney General, Office of the State Controller, Teale Data Center, Franchise Tax Board, Internal Revenue Service, Workers' Compensation Appeals Board, State Compensation Insurance Fund, County District Attorneys, Social Security Administration, beneficiaries of deceased members, physicians, insurance carriers, and various vendors who prepare the microfiche or microfilm for CalPERS. Disclosure to the aforementioned entities is done in strict accordance with current statutes regarding confidentiality.

You have the right to review your membership file maintained by the System. For questions concerning your rights under the Information Practices Act of 1977, please contact the Information Coordinator, CalPERS, 400 Q Street, P.O. Box 942702, Sacramento, CA 94229-2702.

While reading this material, remember that we are governed by the Public Employees' Retirement Law and the Alternate Retirement Program provisions in the Government Code, together referred to as the Retirement Law. The statements in this publication are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this publication, any decisions will be based on the law and not this publication. If you have a question that is not answered by this general description, you may make a written request for advice regarding your specific situation directly to CalPERS.

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